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STATE OF MONTANA
OFFICE OF THE LEGISLATIVE AUDITOR
REPORT ON AUDIT
Fiscal Year Ended June 30, 1978



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STATE OF MONTANA
OFFICE OF THE LEGISLATIVE AUDITOR
REPORT ON AUDIT
Fiscal Year Ended June 30, 1978

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

January 1979

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Office
of the Legislative Auditor for the year ended June 30, 1978. The
audit was conducted by G. Dean Reed, C.P.A., under a contract
between the firm and our office.

Respectfully submitted,

A handwritten signature in cursive script, reading "Morris L. Bruset".

Morris L. Bruset, C.P.A.
Legislative Auditor

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OFFICIALS

Legislative Audit Committee

Senators

Matt Himsl

Greg Jergeson

Lloyd Lockrem

Cornie R. Thiessen

Representatives

Robert A. Ellerd

Howard Ellis

Harold E. Gerke, Chairman

John P. Scully

Legislative Auditor

Morris L. Brusett

SUMMARY OF RECOMMENDATIONS

None

G. DEAN REED
CERTIFIED PUBLIC ACCOUNTANT
1300 Cedar Street
HELENA, MONTANA 59601

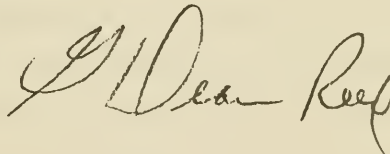
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TELEPHONE 442-6050

January 3, 1979

Legislative Audit Committee
State Capitol
Helena, Montana

I have examined the financial statements of the funds of the Office of the Legislative Auditor for the fiscal year ended June 30, 1978, listed in the foregoing table of contents. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the accompanying financial statements listed in the aforementioned table of contents present fairly the financial position of the funds of the Office of the Legislative Auditor as of June 30, 1978, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "G. Dean Reed". The signature is written in a cursive, flowing style. The "G" is large and loops around the "D". The "Reed" is written in a more straightforward cursive script.

COMMENTS

GENERAL

The Office of the Legislative Auditor is a permanent agency of the Legislative Branch of Montana State Government. The Office was created in 1967 and is provided for in Montana's Constitution (Article V, Section 10 (4)), and the Legislative Audit Act of 1967 (Title 79, Chapter 23, R.C.M. 1947).

The purpose and function of the Office is best described in the first section of the Legislative Audit Act, as follows:

"Because the Legislative Assembly is responsible for authorizing the expenditure of public moneys, designating the sources from which moneys may be collected, shaping the administration to perform the work of state government, and is held finally accountable for fiscal policy, the Legislative Assembly should also be responsible for the audit of fiscal accounts and records so that it may be assured that its directives have been faithfully carried out. It is the intent of this act that each agency of state government be audited for the purpose of furnishing the Legislative Assembly with factual information vital to the discharge of its legislative duties."

The Legislative Audit Committee is the Legislature's arm that provides oversight and guidance for the legislative audit function. The Committee is a permanent joint committee consisting of eight legislators - four from the Senate and four from the House of Representatives. The Committee is bi-partisan in that no more than two of the members from each house may be members of the same political party. The statutory function of the Committee is to appoint the legislative auditor and meet periodically to advise and consult with the legislative auditor. The Committee's main activity consists of hearing audit reports and encouraging the enactment of policies and procedures to improve Montana's State Government operations. When appropriate, the Committee may initiate legislation to provide the legal basis to implement improvements recommended in the audit reports.

The Office is headed by the legislative auditor. The primary duties of the legislative auditor are to:

- (1) Audit the financial affairs and transactions of every state agency and prepare a written report of each audit; and
- (2) Assist the Legislature, its committees, and its members by gathering and analyzing information relating to the fiscal affairs of state government during legislative sessions.

The Office is located in the State Capitol in Helena.

The operations of the Office are financed by appropriations from the General Fund. The Act providing the Office's spending authority for the current biennium (House Bill Number 145, 1977 Session), included the provision that state agencies financed in whole or part by federal money shall reimburse the General Fund for the proportionate cost of audits applicable to the federal money, to the extent federal money is available to do so. Similarly, the Act provides for reimbursement of audit costs from selected agencies financed with earmarked or other non-general fund revenue.

CONCLUDING COMMENTS

The contents of this report have been reviewed with the Legislative Auditor. I would like to thank the Legislative Auditor and his staff for the cooperation and assistance provided during the audit.

OFFICE OF THE LEGISLATIVE AUDITOR
ALL FUNDS
BALANCE SHEET
June 30, 1978

	<u>General Fund</u>	<u>General Fixed Assets</u>
<u>ASSETS</u>		
Unexpended Appropriations	\$127,959	\$ -
Accounts Receivable:		
Governmental Entities	125,588	-
Other	311	-
Expense Advances to Employees	448	-
Equipment	<u>-</u>	<u>33,926</u>
Total Assets	<u>\$254,306</u>	<u>\$33,926</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>		
Accrued Support Expenditures	\$ 14,459	\$ -
Reserves For:		
Continuing Appropriations	113,500	-
Deferred Accounts Receivable	125,899	-
Expense Advances to Employees	448	-
Investment in General Fixed Assets	-	33,926
Fund Balance - Exhibit B	<u>-</u>	<u>-</u>
Total Liabilities, Reserves, and Fund Balance	<u>\$254,306</u>	<u>\$33,926</u>

See Notes to Financial Statements.

OFFICE OF THE LEGISLATIVE AUDITOR
GENERAL FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1978

Fund Balance, July 1, 1977	\$ -
Add:	
Revenue and Income - Exhibit C	319,553
1977-78 Legislative Appropriation	1,052,766
Prior Year Expenditure Adjustments (Net)	<u>1,196</u>
 Total Balance and Additions	 1,373,515
Deduct:	
Revenue and Income Deposited to General Fund	319,553
Support Expenditures - Exhibit D	938,618
Appropriation Reversions	648
Appropriation Balance Carried Forward to 1978-79	113,500
Prior Year Expenditures	<u>1,196</u>
 Fund Balance, June 30, 1978	 <u><u>\$ -</u></u>

See Notes to Financial Statements.

OFFICE OF THE LEGISLATIVE AUDITOR
GENERAL FUND
STATEMENT OF REVENUE AND INCOME
Fiscal Year Ended June 30, 1978

Revenue:

Audit Cost Reimbursement from State Agencies	\$ 248,219
--	------------

Income:

Audit Cost Reimbursement from Federal Government	<u>71,334</u>
--	---------------

Total Revenue and Income	<u><u>\$ 319,553</u></u>
--------------------------	--------------------------

See Notes to Financial Statements.

OFFICE OF THE LEGISLATIVE AUDITOR
GENERAL FUND
STATEMENT OF SUPPORT EXPENDITURES COMPARED WITH APPROPRIATIONS
Fiscal Year Ended June 30, 1978

1977-78 Legislative Appropriation	\$1,052,766
Total Spending Authority	1,052,766
Support Expenditures	938,618
Appropriation Reversions	<u>648</u>
Appropriation Balance Carried Forward to 1978-79	<u>\$ 113,500</u>

ANALYSIS OF EXPENDITURES

Personal Services:		
Salaries and Wages	\$ 670,206	
Legislators' Compensation	2,476	
Employee Benefits	<u>89,035</u>	
Total Personal Services		\$ 761,717
Operating Expenses:		
Contracted Services	91,028	
Supplies and Materials	18,843	
Communications	8,847	
Travel	33,811	
Rent	9,951	
Repairs and Maintenance	273	
Other Expenses	<u>5,254</u>	
Total Operating Expenses		168,007
Capital Items:		
Equipment		<u>8,894</u>
Total Support Expenditures		<u>\$ 938,618</u>

See Notes to Financial Statements.

OFFICE OF THE LEGISLATIVE AUDITOR
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1978

Balance, July 1, 1977	\$ 25,341
Additions:	
Purchases	<u>8,585</u>
Balance, June 30, 1978	<u>\$ 33,926</u>

OFFICE OF THE LEGISLATIVE AUDITOR
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1978

Basis of Accounting

1. Consistent with established fiscal policy for the State of Montana, the statements are prepared on the modified accrual basis of accounting, whereby expenditures are recorded on the basis of valid obligations and revenues are recorded when received. These recognition policies have been amended for selected items as set forth in Notes 2,3, and 4.

Accounts Receivable

2. Audits of Federal and certain earmarked revenue funds are completed on a reimbursement basis to the extent that money is available. Reimbursements are recorded as either revenue or income for the fiscal year in which the work is completed. At fiscal year end, accounts receivable are established for all work for which applicable reimbursement has not been received.

Excluded Obligations

- 3, Excluded from accrued liabilities are the unearned balances of contracts signed by June 30, 1978, whereby the Legislative Auditor's Office contracted for the purchase of services of certified public accounting firms for the audit of certain state agencies. The status of the contracts as of June 30, 1978, was as follows:

Total of Signed Contracts	\$145,534
Paid or Accrued	8,143
Balance	<u>\$137,391</u>

Accrued Liability For Employees' Earned Time Off

4. The accompanying statements exclude the accrued liability for the Office's employees' earned time off for vacation and sick leave. The related expenditures are recorded when paid.

